

Illinois Insurance

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Illinois receives federal grant to address access to health insurance

On September 30, 2000, the U.S. Department of Health & Human Services awarded Illinois and ten other states one-year federal grants totaling \$13.6 million to develop plans extending health insurance coverage to all citizens. A total of 35 states applied for the initial funds, and in February, HHS awarded an additional \$10.2 million to nine more states. Illinois' share of the grant is \$1.2 million.

The goals of the State Planning Grant program, which was authorized by the U.S. Congress, are to identify characteristics of uninsured people in the state and to develop a proposal to provide them with health insurance coverage. The culmination of the grant will be the submission of the Illinois proposal to the Secretary of Health & Human Services.

Illinois' approach for this grant year includes several research and policy making activities. The planning process is being coordinated by a Steering Committee of representatives from several state agencies and the Office of the Governor. The Illinois Department of Insurance is the lead agency and Assistant Director Madelynne Brown is the program director.

Research programs planned for Illinois are:

- A statewide telephone survey to be conducted by the University of Illinois-Chicago to identify characteristics of the uninsured and recently insured in Illinois.

- An analysis of census data and other health data by the Illinois Department of Public Health and the University of Illinois-Chicago to determine trends in lack of health insurance in our state.

- Focus groups and personal interviews to be conducted by Southern Illinois University-Carbondale to gather qualitative input.

The Steering Committee will also review ideas, proposals and results of existing programs designed to increase health insurance coverage as we develop potential solutions for Illinois. Once these data are collected, we will be bringing together a group of key stakeholders to process the information and develop recommendations on how we can best reduce the number of Illinois residents without health insurance. We are calling this process the Illinois Assembly after a consensus-building model known as the American Assembly. The American Assembly was developed by Dwight Eisenhower to address major public policy issues when he

served as President of Columbia University.

The Illinois Assembly will meet three times in Springfield during 2001. A kick-off meeting to discuss the program's goals and the process we will implement to reach consensus was held in January. The main Illinois Assembly meeting to discuss the data and identify solutions to the problem will be held in July. The Steering Committee will select a series of topics for discussion, and provide briefings based on the data collection activities of this project. At the summer Illinois Assembly meeting, participants will be divided into groups to discuss and develop solutions regarding the topics.

The Steering Committee will synthesize the small groups' work into a draft report that will be distributed to interested parties and interest groups around the state for comment. A final plenary session will then be held in September to agree on the final report of the Illinois Assembly.

The Illinois Assembly meetings will be coordinated by the Illinois Department of Insurance and the Southern Illinois University-Carbondale Public Policy Institute, headed by former U.S. Senator Paul Simon. ♦

Successful first year for Office of Consumer Health Insurance

In its first full year of operation, the Office of Consumer Health Insurance (OCHI), created by the Managed Care Reform and Patient Rights Act signed into law by Governor George Ryan on November 19, 1999, has proven very successful in educating Illinois residents about their health insurance concerns. Since its official opening in January 2000, OCHI has responded to over 10,000 health insurance related phone inquiries on its toll-free line (877-527-9431), as well as performing numerous outreach activities to ensure Illinois consumers know there is somewhere they can go to get answers to their health insurance questions.

OCHI was established to provide assistance and information to Illinois health care consumers by:

- Helping them to understand health insurance marketing materials and the coverage provisions of individual plans.
- Educating enrollees about their rights within individual plans.
- Assisting enrollees with the process of filing formal grievances and appeals.
- Establishing and operating a toll-free telephone number to handle consumer inquiries.
- Making related information available in languages other than English that are spoken as a primary language by a significant portion of the state's population, as determined by the Department.
- Analyzing, commenting on, monitoring, and making publicly available reports on the development and implementation of federal, state, and local laws, regulations, and other governmental policies and actions that pertain to the adequacy of health care plans, facilities, and services in the state.
- Filing an annual report with the Governor, the Director, and the General Assembly, which shall contain recommendations for improvement of the regulation of health insurance plans, including recommendations on improving health care consumer assistance and patterns, abuses, and progress that it has identified from its interaction with health care consumers.

During its first twelve months of operation, OCHI staff fielded 10,750 calls from 914 Illinois communities on a variety of issues ranging from claims questions, to explanations of insurance terminology contained in their policies, to clarification of their

rights to continue health insurance coverage under federal COBRA or Illinois law and the qualification requirements for persons moving between health plans.

OCHI staff have aided consumers with understanding their rights to appeal benefit denials with insurers and HMOs by explaining all aspects of the appeal process including their right to appeal directly with their plan, their ability to file a complaint with the Department of Insurance, and their ultimate recourse to have an external review of their denial.

The Office of Consumer Health Insurance has also monitored federal and state laws and regulations, as well as other governmental policies and actions that pertain to the adequacy of health care plans, facilities and services in the state. Among the issues that have come to our attention are: the effect of recent statutory changes on the availability and affordability of health insurance in the small group marketplace; the recent freeze on offers for enrollment under the non-HIPAA Illinois Comprehensive Health Insurance Plan; changes to the regulation of HMOs due to the Managed Care Reform and Patient Rights Act; and recent federal action affecting Illinois insurers and citizens.

In that same vein, OCHI has made various recommendations for statutory and regulatory changes to improve the regulation of health insurance plans, including the identification of abuses and patterns in the delivery of health care. Potential remedies include:

- Disclosure of calculations for the use of usual and customary charges.
- Changes to Illinois mastectomy and continuation laws to comply with federal requirements.
- Recodification and clean up of various laws including organ transplants and prescription drugs for cancer treatment.
- Failure of insurers and employers to disseminate information about HIPAA portability requirements.

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CHIP Board takes action to address fiscal challenge

During the past year, the Comprehensive Health Insurance Plan (CHIP) has experienced a sharp increase in claims, a significant increase in demand for CHIP coverage, and a renewed increase in health care costs. As a result, the CHIP Board is now anticipating that the deficit for the Traditional CHIP (Section 7) pool for the current fiscal year ending June 30, 2001, will be approximately \$34 million—significantly higher than the \$17.3 million previously appropriated to fund the anticipated FY01 deficit.

To assure that CHIP had adequate resources to continue to meet its obligations to existing participants, the Board took action in September to suspend further enrollment of new participants in the Traditional CHIP pool until such time as the Governor and the General Assembly had an opportunity to review the situation and determine a solution. After careful consideration of various options, the CHIP Board also took action to maximize the amount of claim discounts it receives from its Plan Administrator as a means of reducing costs without reducing benefits.

Previous Standard "Indemnity" options are being discontinued and will no longer be available. Existing Preferred Provider Organization (PPO) options are being expanded to include both hospitals and physicians. Prescription drug benefits have been modified to require use of the CHIP Plan Administrator's "BlueScript" program to obtain maximum discounts. The decision to eliminate the CHIP indemnity plans also brings CHIP benefits more in line with coverage that is currently available in the private individual health insurance market.

CHIP will continue to use the PPO network of its Plan Administrator, Blue Cross and Blue Shield of Illinois. This PPO network has 203 or 95% of all hospitals in Illinois, 13,750 or 92% of all primary care physicians in Illinois, and 14,782 or 86% of all specialists in Illinois. All existing CHIP Benefit Plans (except Plan 2 for those on Medicare) are being amended to include this expanded PPO.

One-third of CHIP participants were not enrolled in its previous PPO plan, and yet many of them are

actually obtaining services from PPO hospitals. Most CHIP participants also are already using physicians participating in this expanded PPO network. Based on an accessibility summary provided by the CHIP Administrator, primary care physicians are available in its PPO network for almost all CHIP participants, with equal results for specialists in most areas of the state.

CHIP participants still will have the option to choose any doctor or any hospital, but to receive maximum benefits, they must use a PPO hospital or physician. If a non-PPO provider is used, a 40% co-pay will apply up to a separate out-of-network limitation of \$4,500 per year. Payment of PPO claims will reflect significant discounts negotiated by the Plan Administrator with providers of hospital and medical services. This means that the participants' co-payments, as well as the net amounts that are counted against their lifetime maximums, will also be less.

The total savings from all of these recent cost containment initiatives approved by the CHIP Board could be as much as \$6 million during the next fiscal year. As much as \$4 million could be saved as a result of recent benefit changes approved by the CHIP Board. A recent premium increase effective February 1, 2001, is expected to generate an additional \$2 million during the next fiscal year. Together these savings should reduce the shortfall that was previously projected for the Section 7 pool for the current and next fiscal years from \$58 million to \$52 million.

In his annual budget message to the General Assembly on February 21, 2001, Governor Ryan requested a total of \$52 million in state funds for CHIP in FY01 and FY02. This request includes a \$10 million supplemental appropriation for the current fiscal year. Once this supplemental is approved by the General Assembly, enrollment in the traditional CHIP pool can be re-opened and up to 600 of the approximately 800 applicants currently on the waiting list can be given the opportunity to enroll in Traditional CHIP. The FY02 request of \$42 million, if approved, will allow the

waiting list to continue to move with shorter waiting periods as current participants terminate their CHIP coverage.

Demand for Traditional CHIP and HIPAA-CHIP remains strong. Medical inflation and increased demand are likely to affect any solutions that have been crafted in response to the current fiscal crisis. However, just as the Board has responded to the current situation with cost containment measures, it will continue to explore additional cost containment measures to assure that eligible Illinois residents continue to have access to these important state programs.

For example, the CHIP Board is currently seeking competitive bids from insurers and third-party administrators to serve as its Plan Administrator for the next five years. As part of this process, the Board has asked for and will be considering additional cost containment options, including HMO and POS type plans and a prescription drug management program. ♦

Staff announcements

Kelly Kruger has been named Assistant Deputy Director of the Producer Section, replacing **Ron Hartsock** who retired in December 2000. Kelly joined the Department's Licensing Unit in 1983 and has served in a variety of supervisory capacities since 1988.

Bruce Sartain has achieved Fellowship in the Society of Actuaries. Bruce has been a member of our Life Actuarial Section since 1993.

Scott Cummings, Financial Examiner, has received the Certified Financial Examiner (CFE) designation from the Society of Financial Examiners.

Rick Hidlebaugh, Supervisor, Office of Consumer Health Insurance, has received the Associate in Research Planning (ARP) designation from the Insurance Institute of America. ♦

BYRMA ordered into liquidation

The Circuit Court of Cook County Illinois has granted Illinois Insurance Director Nat Shapo's petition to place the Back of the Yards Neighborhood Council Risk Management Association Workers Compensation Trust, a/k/a Back of the Yards Risk Management Association (BYRMA), into liquidation. An Illinois Group Workers Compensation Self-insurance Pool, BYRMA was placed under an Order of Liquidation on January 22, 2001, based on the Department of Insurance's findings that the pool was insolvent by at least \$7 million.

BYRMA was originally placed in conservation on April 21, 1999, and subsequently into rehabilitation on December 20, 1999. Pursuant to the statutory authority under the Illinois Workers Compensation Act, Director Shapo had previously ordered the company on two separate occasions to assess its members an amount sufficient to cure the deficiencies in its financial condition. However, BYRMA has been unable to recover adequate funds from its members, and the Director moved to place the company into liquidation for the protection of claimants and creditors. Simultaneously, the Director as Liquidator has ceased paying all claims.

BYRMA was organized in May 1993 pursuant to the Illinois Workers Compensation Act to provide group self-insurance for workers compensation loss exposures for selected members of the Back of the Yards Neighborhood Council, Inc. BYRMA's most recent financial statement reflects approximately \$3.6 million in direct premium as of December 31, 1998. The Liquidation Order contains an injunction prohibiting suits against BYRMA outside of the liquidation proceedings.

The Illinois Workers Compensation Act also establishes a Group Workers' Compensation Pool Insolvency Fund, which can be activated whenever the Director of Insurance shall determine that compensation or medical services provided by the Act may be unpaid by reason of default of an insolvent group pool. Although the fund currently has limited monies, claimants interested in pursuing claims should contact Robert Enoex at the Illinois Department of Insurance at (217) 782-2867.

The liquidation proceedings are being handled on behalf of the Director of Insurance by the Office of the Special Deputy Receiver, 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654; (312) 836-9500. ♦

Department rules review

The full text of Department rules is printed in the *Illinois Register* published weekly by the Illinois Secretary of State's Index Department, 111 E. Monroe St., Springfield, IL 62756. Subscriptions are available from that source for an annual fee of \$290. Issue numbers and a Department contact person are listed below after each rule summary.

Copies of rules are also available upon written request to the Department of Insurance at a \$1 per page charge. Some rules are posted on the Department's website at www.state.il.us/ins/industryinfo.htm. Adopted rules are codified in Title 50 of the Illinois Administrative Code.

Rule 922 (Retrospective Compensation Agreements) was repealed effective January 16, 2001. Section 141a of the Illinois Insurance Code [215 ILCS 5/141a] addresses the requirements for filing retrospective compensation agreements and Section 141 [215 ILCS 5/141] sets the standards for their approval. The rule adds nothing to the requirements and standards contained in these statutes and was, therefore, repealed. (Vol. 25, #4; Jim Hanson). ♦

Surety bonds

(The Secretary of State's Office has asked the Department of Insurance to again publish the following notice to insurance companies that issue surety bonds.)

Renewal of **mileage license plates** requires a **surety bond** in the amount of \$500 for each vehicle owned or leased. The insured is required to sign the bond and submit it with the application(s) and applicable fees. However, some insurance companies have been sending the bonds directly to the Secretary of State's Office.

When that occurs, the Secretary's Office must then mail the bond back

to the insured so he or she can sign it and submit all required paperwork at the same time. The application cannot be processed unless all documents are received together. Insurance companies are also reminded that they must attach a power of attorney form to the bond before they send it to the insured.

The Secretary of State's office can only accept the original bond. They do not accept copies or faxes. Questions on these procedures should be directed to Gerald E. Redpath Jr., Secretary of State's Office, (217) 785-1810. ♦

Successful (cont'd from p. 2)

- Failure by certain insurers to cover non-network ancillary providers (such as anesthesiologists) for in-network procedures.

- Failure to cover items which logically should be included under prescription drug coverage.

The full text of the Office of Consumer Health Insurance 2000 Annual Report is available on the Department's website at www.state.il.us/ins/ochibrochure.htm. ♦

Producer regulatory action

(Copies of regulatory orders are available upon written request to the Producer Regulatory Unit, for \$1/page. The number of pages are indicated in parentheses following the effective date.)

Revocation of Producer License

Richard T. Hammack
107 Livery Circle
Oak Brook, IL 60523
Effective 01/09/01 (1)

Blake R. Mastrodonato
221 East Seegers, Apt. 116
Arlington Heights, IL 60005
Effective 01/16/01 (3)

Glenwood F. Warner, Sr.
2 Angle Street
Caribon, ME 04736
Effective 01/08/01 (2)

Stipulation and Consent Order—Civil Forfeiture Paid

Ronald L. Dobervich
939 North Marshall Drive
Palatine, IL 60067
Effective 01/08/01 (3)

John R. Kloss
418 West Armitage
Chicago, IL 60614
Effective 02/20/01 (3)

The Kunkle/Willis Insurance Agcy.
401 South Main
Tuscola, IL 61953
Effective 01/16/01 (5)

Terry D. Mitchell
108 Maple Court
Rochelle, IL 61068
Effective 12/15/00 (4)

National Marine Underwriters, Inc.
410 Severn Avenue, Suite 207
Annapolis, MD 21403
Effective 01/30/01 (3)

Erin E. Rice
24 Upshur Avenue
Annapolis, MD 21403
Effective 01/30/01 (3)

TMI Insurance Agency Inc.
108 Maple Court
Rochelle, IL 61068
Effective 01/16/01 (4)

License Suspension

Jesse Anderson
1432 South Harvey Avenue
Berwyn, IL 60402
Effective 01/08/01 (2)

Robert T. Ruscitti
1104 West Montana
Chicago, IL 60614
Effective 02/09/01 (7)

Revocation Order Vacated

Dominick R. Kohout
1341 W. Fullerton, #318
Chicago, IL 60614
Effective 01/08/01 (1)
(Revocation Order of 6/17/99 vacated) ♦

Company action

New Companies

Caterpillar Insurance Company,
MO, 12/31/00
CNA Group Life Assurance
Company, IL, 02/16/01
First Life America Corporation,
KS, 01/16/01
Lone Star National Insurance
Company, IL, 03/13/01
National Building Material
Assurance Company, IL, 03/13/01

Market Conduct Fines

The following entities were issued Stipulation and Consent Orders and fined for Insurance Code violations and/or improper claims practices cited in their Illinois market conduct examinations:

John Alden Life Insurance
Company, MN, 01/11/01; \$30,000
The Mega Life and Health
Insurance Company, TX, 3/19/01;
\$25,000

National Farmers Union
Insurance Companies, CO,
01/29/01; \$15,000

Nationwide Life Insurance
Company, OH, 02/15/01; \$5,000

Terminations

Cumberland Surety Insurance
Company, Inc., KY, certificate of
authority revoked 02/09/01 ♦

Chicago Loop Agent Flood Insurance Seminars

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Hearings

Completed Hearings:

Michael J. Agrella
Hearing No. 3799
Licensing authority revoked 3/01/01

Jeffrey A. Barnes
Crystal J. Chapman
Baldwin and Company
Hearing No. 3685
J. Barnes to pay civil forfeiture;
Previous order of revocation
rescinded 1/12/01

Board of Education of the City of
Peoria
National Union Fire Insurance
Company of Pittsburgh
Hearing No. 3811
Company to extend policy for one
year 2/23/01

Charles E. Dieringer, Jr.
Country Mutual Insurance Co.
Hearing No. 3820
Nonrenewal effective 3/01/01

Glass Masters, Ltd.
Hearing No. 3803
Decision rendered by Workers
Compensation Appeal Board on
7/24/00 affirmed 1/23/01

ManagCare, Inc.
Financial Recovery Services
National Council on Compensation
Insurance
Hearing No. 3779
Decision rendered by Workers
Compensation Appeal Board on
2/16/00 reversed 2/15/01

David & Patricia McKinney
State Farm Fire & Casualty Co.
Hearing No. 3816
Cancellation effective 3/01/01

Robert Thomas Ruscitti
Hearing No. 3801
Licensing authority suspended
2/09/01

Patrick W. Seibt
Hearing No. 3776
Order of revocation rescinded
2/16/01

Scheduled Hearings:

Emma J. Bosworth
Hearing No. 3825
Revocation of licensing authority
3/22/01

Lawrence A. Ellis
Hearing No. 3819
Suspension of licensing authority
3/14/01

Thomas Francis Lazarz
Hearing No. 3824
Revocation of licensing authority
3/28/01

Lisa A. Resnick
Hearing No. 3826
Revocation of licensing authority
4/05/01

Michael Timbrook
Hearing No. 3823
Revocation of licensing authority
4/25/01

Exam reports filed

Financial

Allen and Otter Creek Mutual
Insurance Company
2/08/01
Allstate Property and Casualty
Insurance Company
2/27/01
Deerbrook Insurance Company
2/27/01
Southern Farmers Mutual
Insurance Company
2/08/01

Market Conduct

National Farmers Union Insurance
Companies
1/23/01
Madison Mutual Insurance
Company
1/26/01
Springfield Fire and Casualty
Company
1/26/01
Hartford Insurance Company of
Illinois
3/02/01
John Alden Life Insurance
Company
3/02/01
Nationwide Life Insurance
Company
3/02/01
Pacific Life Insurance Company
3/02/01 ♦

Illinois Department of Insurance
320 West Washington Street
Springfield, Illinois 62767

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